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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 31 August 1978 CG NIDC 78/204

NATIONAL SECURITY INFORMATION  
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State Dept. review

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National Intelligence Daily Cable for Thursday, 31 August 1978

[redacted] The NID Cable is for the purpose of informing senior US officials.

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## LEBANON: Situation Report

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The fighting in Beirut between Syrian troops and Christian militiamen eased yesterday. In northern Lebanon, however, feuding between the followers of pro-Syrian former President Franjiyah and the Phalange continued. A Franjiyah supporter was apprehended by the Phalange in Jubayl after trying to assassinate a Phalangist. Israel is conducting numerous reconnaissance flights over Lebanon.

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The new incident in the north could be used as a pretext for a Syrian move into Jubayl that would be in keeping with Syria's strategy of exploiting local incidents to cut gradually into the Christian heartland. On the other hand, the Syrians may be content to let the situation in the north cool for the moment while they consolidate their positions and avoid providing Israel an excuse to intervene.

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In a move perhaps designed to help calm the situation, the Syrians removed the commander of a unit of the Syrian "Defense Companies"--an elite force commanded by President Assad's hotheaded brother Rifaat--that participated in the Syrian offensive in northern Lebanon last weekend. The officer was apparently responsible for killing several civilians during the operation.

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Israeli radio yesterday announced that the Christian militias in southern Lebanon have worked out an agreement with the UN allowing additional UN observation posts in the Christian-held enclave along the Israeli border. While the Christians may allow the UN greater freedom of movement in the south, they clearly have no intention of surrendering

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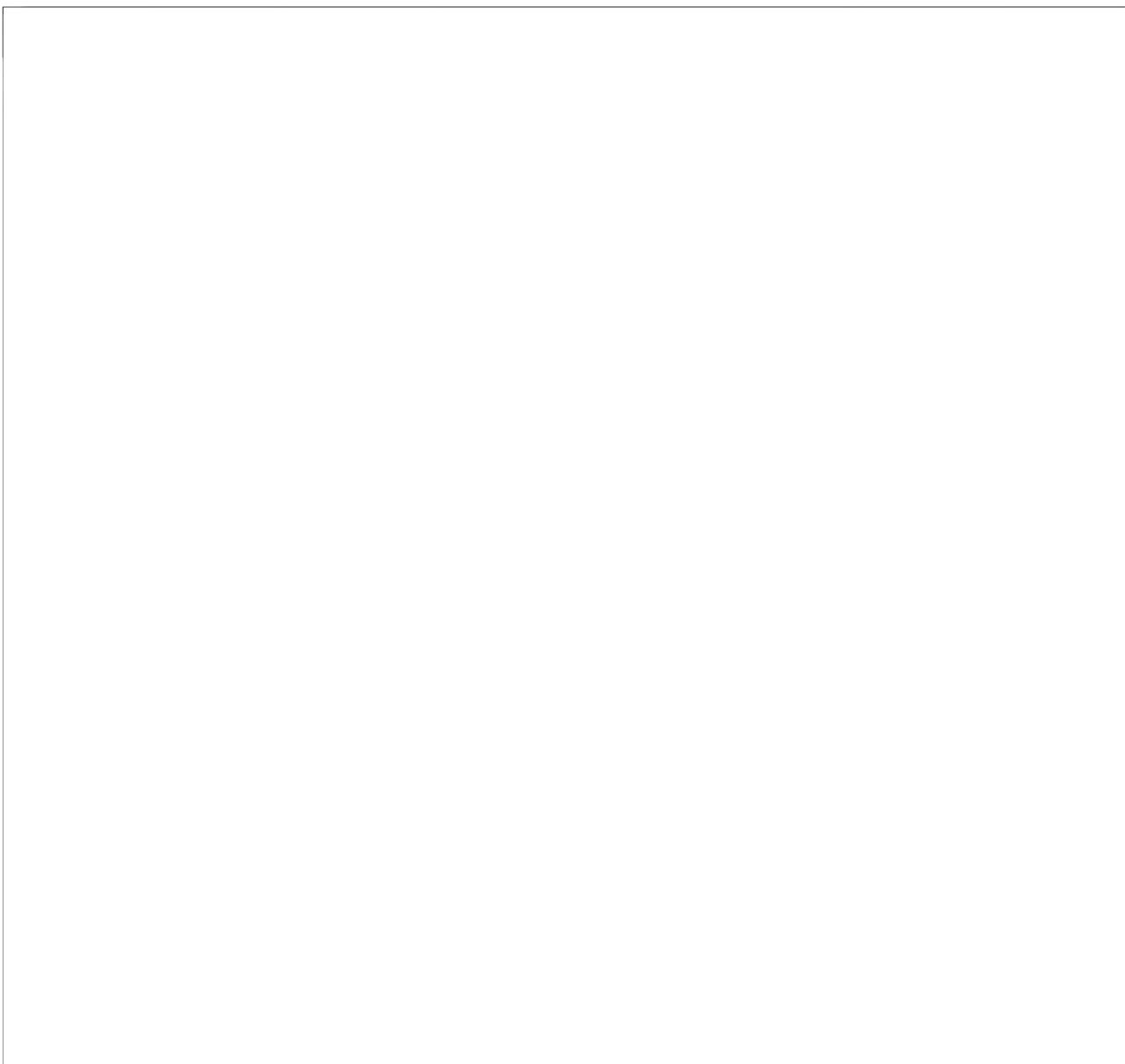
[redacted]

control of the area to the UN forces. The Israelis may hope this apparently limited agreement will regularize contacts between the UN troops and southern Christian militia leader Major Haddad, and in effect legitimize his presence.

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## MOROCCO-ALGERIA: Relations

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[redacted] The Moroccan Government says Algerian soldiers ambushed a Moroccan military unit near Sidi Amara in southern Morocco on Sunday. Moroccan Foreign Minister Boucetta said the incident resulted in some casualties and he warned Algeria in a formal protest that his country would take all necessary measures to defend itself. Algeria has not yet reacted to the protest.

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[redacted] //We have no information to confirm the incident, but a clash could occur in this remote area without our knowledge. A raid by Algeria just over the Moroccan border could be in response to mine-laying and reconnaissance missions by Moroccan irregular patrols in the Tindouf region of Algeria that have been reported occasionally since early last year. Similar incidents were reported in an adjacent province of Morocco early last year.//

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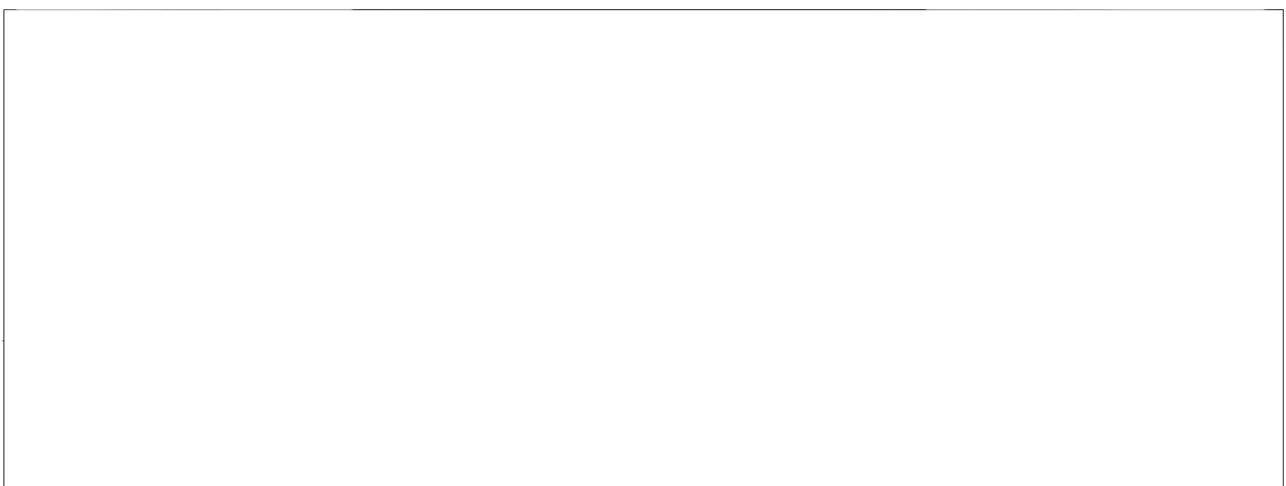
[redacted] The reported ambush occurred near a disputed boundary that Morocco has not yet ratified. Algeria may wish to remind Morocco that this area could become contentious if no progress is made toward a settlement of the conflict over Western Sahara. Recent hardline statements by Moroccan officials about their conditions for a negotiated settlement of the Western Sahara dispute may have prompted such a reminder.

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[redacted] Whatever the intent, the incident will further sour the atmosphere for negotiations on Western Sahara. The last known contacts--held under French auspices in early August--were said to be unproductive. [redacted]

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#### NICARAGUA: General Strike Grows

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The general strike in Nicaragua continues to be more effective in the provinces than in the capital, where it nevertheless appears to be slowly gathering momentum. The government is using firm measures to break the strike and to control violence and appears confident that it can weather the crisis.

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The US Embassy estimated that on Tuesday the commercial shutdown was 50- to 60-percent effective. A similar two-week strike in January was 80-percent effective at its height. Also on Tuesday, the country's largest business organization voted to support the strike.

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President Somoza is attempting to undermine the stoppage by calling in Central Bank loans to businesses that close. In addition, the government canceled the charter of the Federation of Chambers of Commerce after it voted on Sunday to support the strike. The National Guard is looking for the chief strike organizer, who apparently has gone into hiding.

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The most recent focal point of armed resistance to the government has been Matagalpa, 120 kilometers north of Managua, where youths have fought guardsmen to a standstill for two days. At least four persons have been killed. Aircraft fired rockets at a guerrilla position several miles away.

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[REDACTED] The unprecedeted use of aircraft indicates that the government is having a difficult time regaining control of Matagalpa, but so far this is the only area where the Guard is being hard-pressed.

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[REDACTED] The government's military efforts and its measures to defeat the strike confirm Somoza's combative mood. His approach should help mollify those members of the Guard who were displeased with his capitulation to guerrilla demands last week, but the soldiers are still under orders not to initiate confrontations. The President probably believes that, if circumstances worsen, undiluted Guard support will be more important to his interests than US concern about violations of human rights. The situation has not yet reached the point that he must choose. [REDACTED]

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#### ISRAEL: Possible Suez Oilfield

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[REDACTED] Press reports from Tel Aviv indicate Israel has discovered another oilfield in the portion of the Gulf of Suez it controls. Israel has apparently started exploratory drilling at the new site, which is north of the existing Alma field. Egypt has not yet reacted publicly.

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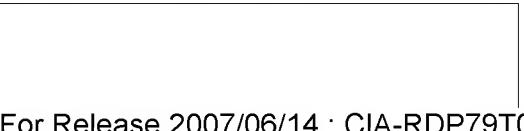
[REDACTED] If oil in commercial quantities is found, it will be Israel's second oil discovery in the Gulf of Suez. The Alma field, discovered last November, is producing 18,000 barrels per day from three wells, according to the Israeli Ministry of Energy. Eleven additional development wells are slated during the next 18 months, which would increase output to at least 70,000 barrels per day. Israel currently consumes about 140,000 barrels per day, about two-thirds supplied by Iran.

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[REDACTED] In the past, Egypt has sought US support in condemning Israeli exploration and development activities in occupied Egyptian territory as illegal. AMOCO, an American company, holds Egyptian concessions for the area in the Gulf of Suez where Israeli oil drilling is taking place. Neptune Oil Company, another US firm, is drilling for the Israelis. [REDACTED]

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BRIEFS

Peru

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[redacted] The Peruvian Government has extended the limited state of emergency it declared last week to five additional provinces because of its failure to resolve a crippling miners' strike. The strike, which began on 4 August, is costing the financially troubled country approximately \$2.5 million a day in vital foreign exchange.

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[redacted] Although the government made conciliatory proposals last week, negotiations broke down when labor representatives demanded the reinstatement of 320 fired miners. The 50,000 striking miners have vowed to continue their strike until all their demands are met. [redacted]

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Iceland

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[redacted] Iceland is likely soon to announce a currency devaluation--perhaps by as much as 20 percent--to prevent a shutdown of its vital fishing industry. This new devaluation--the government devalued by 13 percent last February--is a further attempt to curb imports and restore profit margins in the fishing industry. Unable to cope with an inflation rate of close to 50 percent annually, a number of fish freezing plants have closed down and others have threatened to do so on 1 September. The closings could increase the unemployment rate dramatically, from last month's 0.4 percent to as high as 4.8 percent.

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[redacted] Although devaluation was long resisted by the Communist-dominated People's Alliance, the party has now endorsed it as part of a package to solve the country's economic ills. A consensus has yet to be reached on other economic issues, such as a wage and price policy. Unless a new government is formed soon and quickly enacts needed austerity measures, the beneficial effect of the devaluation will be lost. [redacted]

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